

THE REVIEW AND CONSOLIDATION
OF NAVY STOCK FUND STORES RETURNS

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CHAPTER I

INTRODUCTION

General. The primary purpose of this paper is to trace the movement of one section of the Navy Stores Returns from the activity in the field preparing the return to the ultimate inclusion of the information submitted in the Financial Statement of the Navy.

In studying any specific area of our complex supply system it is always in order to first ask ourselves a few questions: What are the legal requirements in the area? Are the legal requirements of a detailed or a broad nature? Who is the implementing authority? To what degree is final interpretation of procedures left to the activity which is to prepare the prime reports? The answers to these and similar questions would give us a better understanding of what we are doing and why we are doing it.

Legal Basis. The legal basis for financial and stores returns in this country are as old as the Constitution, but it is more appropriate to concern ourselves with the most recent legislation on the subject. The basic piece of legislation is the National Security Act Amendments of 1949.^{1/} Three sections of the Amendments are particularly pertinent to this discussion and are

^{1/} Public Law 216-81st Congress

quoted in part below:

"Sec. 402.(a) The Secretary of each military department, subject to the authority, direction, and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting.....to be organized and conducted in a manner consistent with operations of the Office of the Comptroller of the Department of Defense.

"Sec. 405.(a) In order more effectively to control and account for the cost of programs and work performed in the Department of Defense, the Secretary of Defense is authorized to require the establishment of working-capital funds in the Department of Defense for the purpose of-

- (1) Financing inventories of such stores, supplies, materials, and equipment as he may designate;.....

"Sec. 410. The Secretary of Defense shall cause property records to be maintained in the three military departments, so far as practicable, on both a quantitative and monetary basis, under regulations which he shall prescribe. Such property records shall include the fixed property, installations, and major items of equipment as well as the supplies, materials, and equipment held in store by the armed services. The Secretary shall report annually thereon to the President and to the Congress."

The Amendments also granted authority to the Secretary of Defense to provide funds for any "working-capital" funds established.

Navy Stock Fund. One such fund that has been established under the above cited authority is the Navy Stock Fund.^{2/} The fund consists of Cash, Accounts Receivable, Inventories, Accounts Payable, Reserve for Undistributed Commissary Stores Profits, and the Capital of the Fund. For identification and accounting purposes the inventories are divided into several controlling accounts which include materials of the general usage type (51000), mater-

^{2/} For a detailed history of the Navy Stock Fund see John. W. Hempstead, A Study of the Navy Stock Fund 1893-1952, Bureau of Supplies and Accounts, Washington, D. C. 1953.

ial in the Clothing and Small Stores Account (51300), and the Ship Store Account material (51400). In the reporting system each of the accounts has certain areas peculiar to the specific type of material, but basically they are the same. The balance of the discussion will be confined for the most part to the procedures covering the general usage type materials in the 51000 account.

The Navy Stock Fund operates under a charter issued by the Secretary of Defense which establishes the policies, principles, and general content of the fund. In addition to the specific charter, the Secretary of Defense has issued Department of Defense Directive Number 7420.1, dated 1 February 1954. The subject of the directive is "Regulations Governing Stock Fund Operations," and serves as the basis in the Department of Defense for the establishment, management, internal operation, control, budgeting, and reporting of stock funds. Section 13 of the Directive spells out some of the more basic requirements for stores accounting such as:

.....Stock transactions shall be summarized in financial terms not less frequently than monthly.....

.....Detailed stock records (by item) shall be maintained in support of the summary (control) accounts.....

.....Periodic or continuous, rotating physical checks of stock items shall be made and the stock records and summary (control) accounts shall be adjusted in accordance therewith.....

The provisions of Section 13 are covered in great detail in the appropriate sections of the Navy Comptroller Manual and the Bureau of Supplies and Accounts Manual.

It should be recognized that there are two distinct but interrelated aspects of the Navy Stock Fund. One of these is the

fiscal or accounting portion over which the Navy Comptroller has prime responsibility. The other is the material management portion which is the prime responsibility of the Assistant Secretary of the Navy (Material). Most of the material management responsibility has been delegated to the Office of Naval Material and the Bureau of Supplies and Accounts. The recording and reporting of each is handled separately but a constant balance is maintained between the two. The consumable stores, for example, are reported in the Financial Inventory Control Report. In this report the stores values are reported by cognizant manager, a turnover fraction code, and class of material. The financial stores returns or balance sheets, however, are prepared by stores and controlling accounts indicated previously, disregarding any cognizance, fraction, or class break downs.

Summary. In summary it can be said that the responsibilities of the Secretary of Defense and the Secretary of the Navy with respect to property and stores accounting are generally defined by law. SecNav is responsible for submitting reports to SecDef in accordance with the policies and guidelines established by SecDef. SecNav has delegated the formulation of fiscal principles, policies, and procedures for the Department of the Navy to the AsstSecNav (Compt). In accomplishing his mission, the Navy Comptroller must be assured that there is sufficient coordination between inventory management reporting and fiscal stores reporting to enable him to fulfill the Navy's obligation to SecDef. Any activity of the Navy that is required to submit inventory reports

and stores returns must rely on the detailed instructions in the Navy Comptroller Manual and the Bureau of Supplies and Accounts Manual for guidance.

CHAPTER II

FIELD ACTIVITY STORES ACCOUNTING

General. The basic record for stores accounting at a field activity of the Navy is the Stock Record Card. This may be in the form of a manually maintained record which is paired with a Stock Status and Replenishment Card, or an IBM card known as a Stock Status Balance Card. The Stock Status Balance Card contains virtually all of the information required for effective inventory control. Since practically all of the major supply activities of the Navy are operating under a mechanized inventory and stores accounting system, only the mechanized procedures will be discussed.^{1/}

Material Procurement. A brief discussion of the inventory control procedures as they are applied in the Navy is considered essential to the ultimate development of the stores returns. Whenever material is ordered for stock, regardless of the source of procurement, a copy of the procurement document is routed through the Stock Control Branch where the material due is recorded. The copy of the document then goes to the Receipt Control Branch to be filed awaiting receipt of the material. Upon receipt of the mater-

^{1/} The complete details of Supply Ashore procedures may be found in Vol II BuSanda Manual.

ial two copies of the receipt paper are sent to the Class Accountability Section via the Financial Editing Section and the Stock Control Branch where the receipt is recorded and the material due is cancelled. The other copies of the receipt documents are sent with the material through the inspecting unit to the Storage Branch. After the material has been checked in and any discrepancies noted, a copy of the receiving paper is forwarded directly to the Class Accountability Section via the Financial Editing Section, where the accounting information is edited for accuracy. Upon receipt of the second copy the Class Accountability Section matches it against the retained copy, forwards one copy to the Receipt Control Branch to close the file and uses the other copy for forwarding to the Fiscal Department. (See Fig. 1)

Material Expenditure. The expenditure of material is basically accomplished in one of two ways. If the issue is to be made to an outside activity the requisition is first presented to the Issue Control Branch. If the issue is to be made to a local activity the stub requisition may be presented to the Financial Editing Section, for financial obligation purposes, prior to presenting it to the issue control branch. The issue control branch establishes a file on each request received and serves as the liaison point for customers. The request document is processed through the Stock Control Branch, the Material Division where the material is physically issued or transferred, and the Class Accountability Section where summaries are prepared for the Fiscal Department. When a "proof of delivery" is received in the Issue Control Branch the appropriate

MATERIAL RECEIVED FROM OTHER NAVAL ACTIVITIES

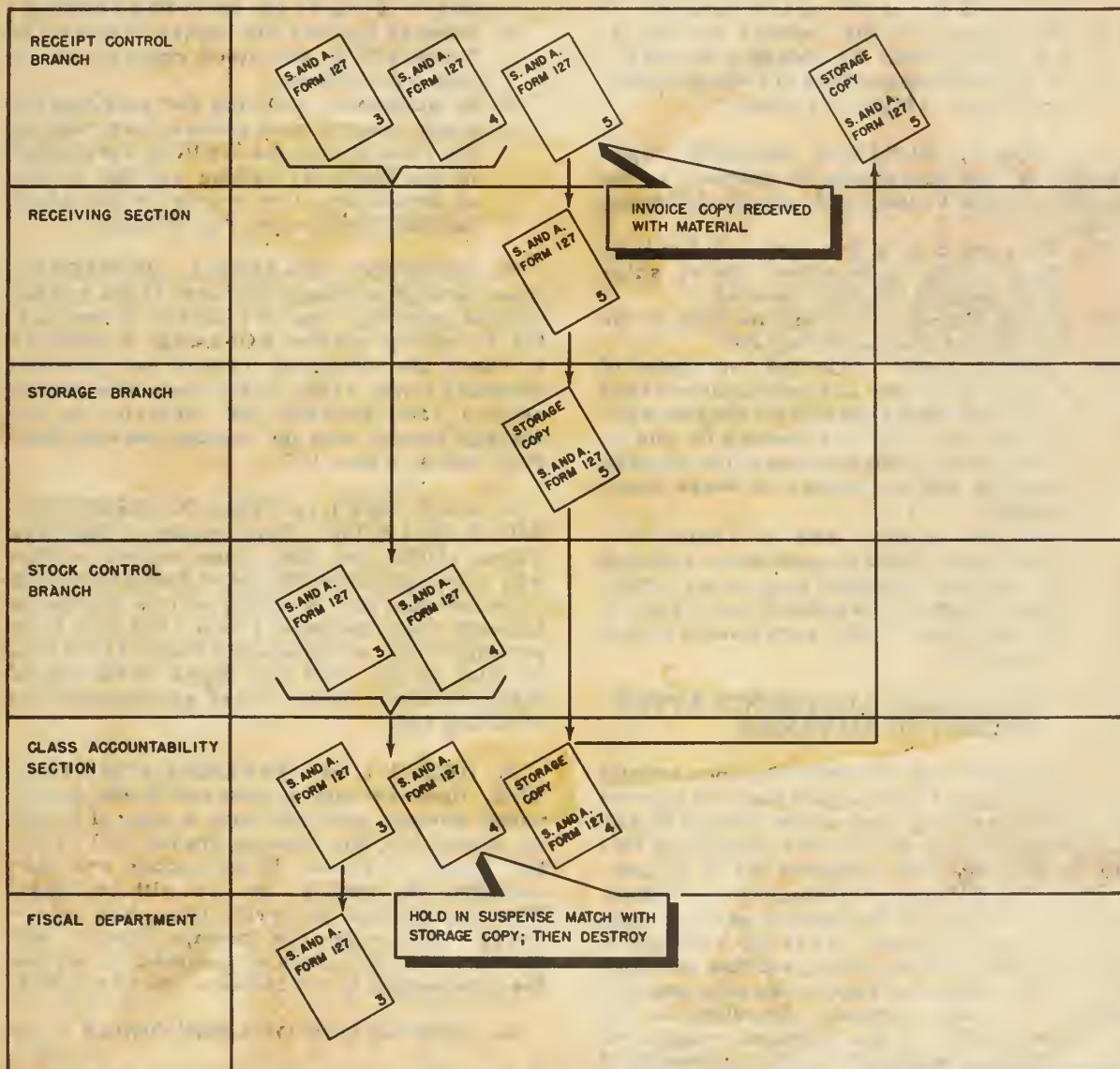


Figure 1

file is closed. (See Fig. 2)

Obviously there are many ramifications and exceptions to the above, and many adjustment receipts and expenditures do not follow the complete cycle. However, the important point is that there are procedures established which if followed completely afford more than a minimum of accounting controls.

Class Accountability Section. The Class Accountability Section has three primary responsibilities. The first is to maintain the financial inventory control records. In a mechanized operation, this first responsibility is accomplished by ascertaining that all required documents are being processed through the machine operations, and checking and verifying machine listings against the actual documents and the control figures.

The second responsibility is to prepare the Financial Inventory Control Report (NavSanda Form 255) on a quarterly basis. As indicated in chapter 1, for control and management purposes all Navy inventory stock is assigned a cognizance symbol denoting the broad category of material and the inventory manager of the material. Within each cognizance symbol the material is grouped by class of material and finally by movement fraction code and condition code if applicable. Each report will consist of 1) a summary sheet, 2) a cognizance symbol listing, and 3) a cognizance symbol by class listing. An unaudited copy is mailed directly to the inventory manager concerned and one copy is sent to the Fiscal Department of the local activity. A copy of the FICR (previously the Class Cognizance Report) used by a manual field activity is shown as figure 3.

★ DISTRIBUTION WHEN REQUISITIONS REQUIRE PREPARATION OF INVOICES

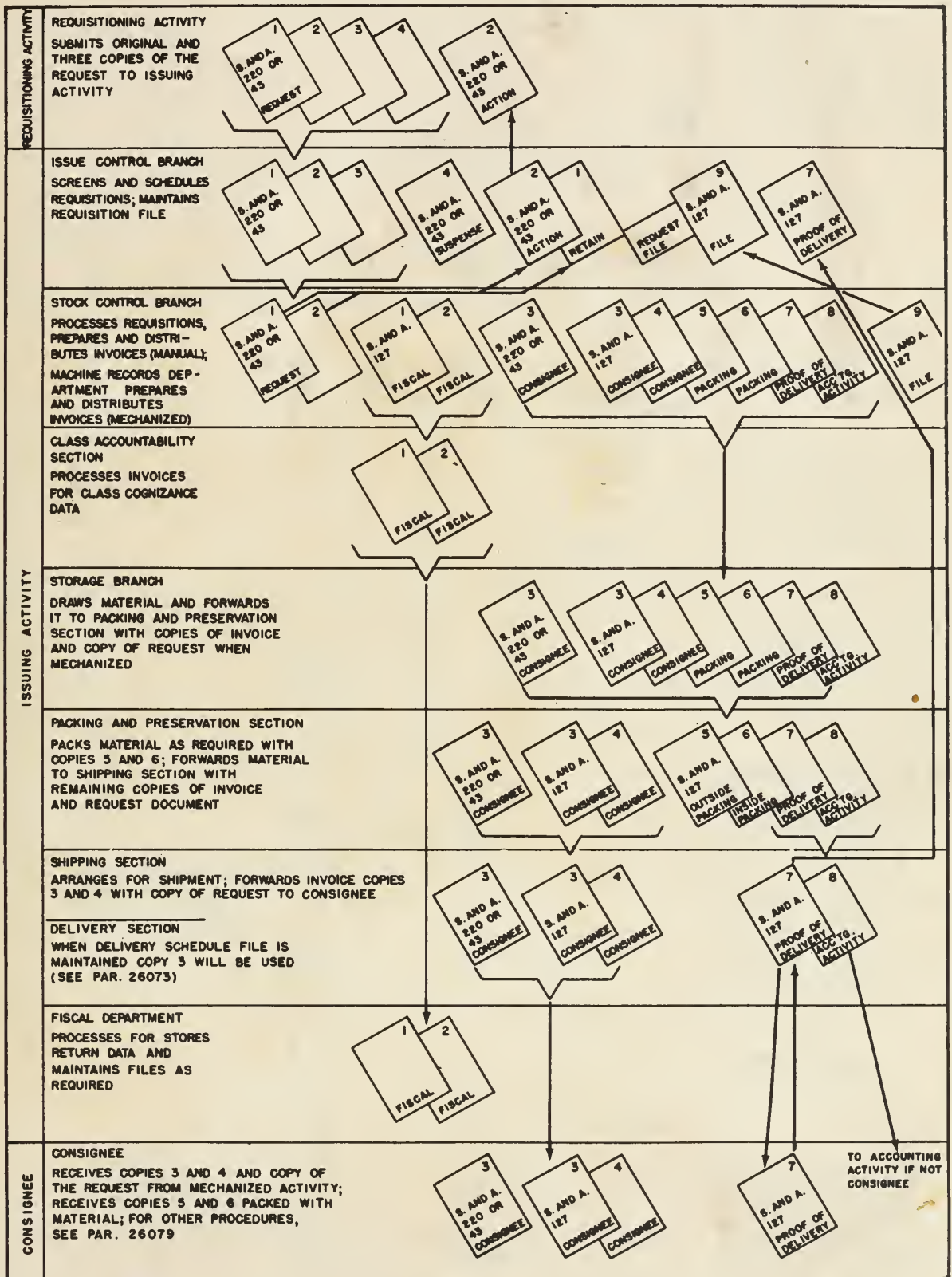


Figure 2

The third primary responsibility is to provide the Fiscal Department with copies of all prime stores documents together with verified machine listings and cards necessary for the preparation of the stores balance sheets.

Stores Returns Division. The Stores Returns Division of the Fiscal Department also has three main functions or responsibilities. The division is responsible for maintaining the stores accounts ledgers such as the Appropriation Purchase Account (52000) and the Navy Stock Account (51000). These are summary control accounts and disregard cognizance symbol, class, etc.

From the ledgers above, substantiated by the documents and other information from the Class Accountability Section, the division prepares the monthly stores returns including the Account Balance Sheet (NavSandA Form 159). The stores returns are forwarded to the Navy Regional Accounts Office on a monthly basis. A copy of the balance sheet is shown as figure 4.

The third primary function of this division is the reconciliation of the balances shown on the FICR with those reported on the Balance Sheet. Since the balance sheets are submitted monthly and the inventory control reports quarterly, three stores balance sheets cover the same period as one inventory control report. After reconciliation both the stores returns and the original of the FICR are forwarded to the Navy Regional Accounts Office.

BALANCE SHEET—NSA

NAV. S. AND A. FORM 159 (3-50)

13

SHIP, YARD, OR STATION AND ACCOUNTING NO.

PERIOD

(From)

(To)

RECEIPTS

EXPENDITURES

ACCOUNT	SUBAMOUNT	AMOUNT	ACCOUNT	SUBAMOUNT	AMOUNT
WITH CHARGE TO NAVY STOCK FUND:			WITH REIMBURSEMENT TO NAVY STOCK FUND:		
Purchase			Other Ships and Stations		
Manufacture			Station Use		
C&SSA			Manufacture (Other than NSF)		
			APA		
APA			C&SSA		
SMA			SMA		
SCMA			SCMA		
Mat. Turned in to Store					
			Cash Sales		
			Condemned Sales		
WITHOUT CHARGE TO NAVY STOCK FUND:			WITHOUT REIMBURSEMENT TO NAVY STOCK FUND:		
Mat. Turned in to Store			Dept. of Defense		
Dept. of Defense			Other Government Depts.		
Other Government Depts.			Manufacture (NSF)		
APA			APA		
			SURPLUS DISPOSAL:		
MATERIAL GAINS			MATERIAL LOSSES:		
Survey			Survey		
Inventory			Inventory		
FISCAL GAINS:			FISCAL LOSSES:		
Accounting Adjustments			Accounting Adjustments		
Stand. Price Adjustments			Stand. Price Adjustments		
TRANSFERS FROM OTHER SUPPLY OFFICERS:			TRANSFERS TO OTHER SUPPLY OFFICERS:		
TOTAL RECEIPTS:			TOTAL EXPENDITURES:		
OPENING INVENTORY:			CLOSING INVENTORY:		
TOTAL			TOTAL		

I certify that this Balance Sheet is correct to the best of my knowledge and belief.

SIGNATURE

(SC) U.S.N.

CHAPTER III

THE NAVY REGIONAL ACCOUNTS OFFICE

General. The Navy Regional Accounts Office of today is the result of a gradual centralization from field activities and decentralization from the BuSandA of certain fiscal, disbursing, auditing, and summarizing procedures.

In early 1945 fourteen NRAOs were established for the purpose of centralizing payments to vendors in the continental United States for services and supplies furnished. With this function came the automatic accumulation of accounting data which had formerly been accumulated in BuSandA. The next step was to give to the NRAOs the responsibility for the preparation of the disbursement vouchers in addition to making the disbursements.

By March of 1948 the concept of associate-central disbursing was in full operation. Under this plan each Navy disbursing officer within an NRAO district was in effect an associate disbursing officer submitting his disbursing transaction on a daily basis to the Central Disbursing Officer in the NRAO. This system provided for the submission of one complete disbursing return for each NRAO district in lieu of the many returns previously submitted. The next step was the reporting of all payments in detail directly

to the various bureaus concerned instead of through BuSanda.

The audit and consolidation of stores returns submitted by continental United States activities and Pearl Harbor was the next function to be decentralized from BuSanda to the NRAOs. In January 1950, this program was completed and the consolidation of the stores returns paralleled the consolidation of the financial returns.

Since January 1950, there have been comparatively minor adjustments to the functions of the NRAOs; NRAO, Cleveland has been established to extend the principle of consolidated returns to afloat and foreign shore activities; and two of the original offices have been disestablished. The current mission and organization chart of the NRAOs is published in the BuSanda Manual, paragraph 11071.

Organization. The standard organization of an NRAO provides for four operating divisions. These are 1) Disbursing Division, 2) Accounting Division, 3) Examination Division, and 4) Stores Audit Division. The organization of NRAO, Cleveland and NRAO, Washington differ in some respects from the standard, but each has a Stores Audit Division which is the primary concern of this paper. The Stores Audit Division is further broken down into a Control Branch and an Audit Branch with all of the machine accounting work for this division being performed in the Accounting Division of the NRAO.

The Stores Audit Division has two broad functions. The first of these is the auditing of the Balance Sheets and the

Financial Inventory Control Reports and Summaries. The second function is consolidation of the Balance Sheets and the FICRs and Summaries, and the submission of the consolidated reports to the Bureau of Supplies and Accounts.

CHAPTER IV

NRAO AUDIT FUNCTIONS

General. The primary objective of the audit is to insure that stores accounting instructions promulgated by proper authority are complied with by the reporting activity in the discharge of its responsibilities as an accountable activity for Navy Stores. To attain this objective the audit must cover at least these areas:1/

1. Prompt submission of substantiating documents.
2. Mathematical accuracy.
3. Proper certification of documents.
4. Proper accountability and control of gains and losses of stores.
5. Correctness of appropriation and expenditure account charges and credits.
6. Compatibility of authority with transaction.

In addition to the above, there are certain limitations in specific areas which are placed on the NRAO.

Auditing Stores Returns. The function of auditing is per-

1/ Instructions for Stores Auditing and Reporting, Bureau Supplies and Accounts, NavSandA Publication 270, September 1953; pg. 1-3.

formed by a detailed examination of each caption appearing on the Balance Sheet together with any supporting documents submitted therewith. When Appropriation and Expenditure Account data are given, that information is examined for propriety. The Opening Inventory on the current balance sheet is compared with the closing inventory on the balance sheet for the previous period.

For certain captions, such as the Receipts From Purchase With Charge To The Navy Stock Fund, the audit procedure is quite extensive. The supporting document or schedule for this caption is the "Reconciliation Statement of Receipts From Purchase." (Nav. Compt Form 145) (Figure 5). In addition, certain captions on the 145 are substantiated by pertinent documents. As indicated previously, the various NRAOs pay public vouchers for the activities within their area. After the payments have been made, the charges are "abstracted" to the stores accounting activities by means of an "Abstract of Public Vouchers" (NavSandA Form 623). A copy of each 623 received during the reporting period is included with the stores returns and listed on the reverse of the 145. The listing is verified by the NRAO, coded for a key punching operation and when the individual abstracts have been included in a register 45 (to be discussed later) the register totals by activity are verified against the amounts shown in caption (a) of the 145.

When for any reason public vouchers are abstracted incorrectly they are returned to the abstracting activity. A listing of the public vouchers incorrectly abstracted is made on an "Abstracted Public Vouchers Returned" (NavCompt Form 98). A copy of

RECONCILIATION STATEMENT OF RECEIPTS FROM PURCHASE

EXOS REPORT SYMBOL 7403.2

NAVCOMPT FORM 145 (10-54)

STORES ACCOUNT

ACTIVITY		FOR THE MONTH ENDING
CAP- TION	DESCRIPTION	AMOUNT
(a)	ADD: PUBLIC VOUCHERS ABSTRACTED Value of public vouchers received during the month as listed under schedule of caption (a) on reverse.	\$
(b)	DEDUCT: ABSTRACTED PUBLIC VOUCHERS RETURNED Value of public vouchers erroneously included in abstracts and returned to the abstracting activities as listed under schedule of caption (b) on reverse.	\$
(c)	DEDUCT: RESERVATIONS AND CASH DISCOUNTS PREVIOUSLY WITHHELD, DUPLICATE PAYMENTS, AND OTHER AUTHORIZED DEDUCTIONS Value of public vouchers included in abstracts, which cover payments of reservations and cash discounts previously withheld; value of public vouchers removed from reconciliation files, under current authority, as listed on schedule attached.	\$
(d)	ADD: RESERVATIONS, CASH DISCOUNTS, AND OTHER AUTHORIZED ADDITIONS Value of reservations and cash discounts deducted on public vouchers included in abstracts; value of inspection reports involving nonpayment by disbursing officers and other authorized additions, as listed on schedule attached.	\$
	SUBTOTAL	\$
(e)	ADD: PREVIOUS MONTH'S CAPTION (h) This amount will agree exactly with the amount deducted under caption (h) on the previous return.	\$
(f)	DEDUCT: PREVIOUS MONTH'S CAPTION (g) This amount will agree exactly with the additions under caption (g) on the previous return.	\$
(g)	ADD: UNMATCHED INSPECTION REPORTS This amount is cumulative and will include all such inspection reports, whether taken up during the current or some previous month. Total amount of inspection reports posted to stock records during the six months' period to date but not covered by abstracted public vouchers. \$ _____ Total amount of inspection reports posted to stock records prior to the last six months but not covered by abstracted public vouchers. \$ _____	\$
(h)	DEDUCT: UNMATCHED ABSTRACTED PUBLIC VOUCHERS This amount is cumulative and will include all such public vouchers on hand whether included in abstracts of the last month or of some previous month. Total amount of public vouchers covering items not yet taken up on stock records which were paid during the six months' period to date. \$ _____ Total amount of public vouchers covering items not yet taken up on stock records which were paid prior to the last six months. \$ _____	\$
RECEIPTS FROM PURCHASE—PER STOCK RECORDS		\$

CERTIFICATION:

I certify that the amounts reported under captions (g) and (h) are values that are substantiated by documents in the files of this activity.

USN

the 98 is submitted with the stores returns and processed in the NRAO the same as a NavSanda Form 623. A separate register 45 is produced from the documents supporting caption (b) on the 145.

Schedules, prepared on the "Abstract of Stores Receipts/Expenditures" (NavCompt Form 147), are submitted in support of captions (c) and (d). The totals shown on the schedules are compared with the amounts shown in the respective captions.

The amounts shown in captions (e) and (f) are verified against the amounts shown in captions (g) and (h) in the previous months returns.

The amounts shown in captions (g) and (h) are totals of the unmatched documents in the files of the stores accounting activity and are accepted by the NRAO. However, at the end of each quarter the reporting activity forwards a detailed list of the documents over six months old together with a report on the action taken to clear each document. The Stores Audit Division of the NRAO lends any assistance possible to clear the documents and if necessary refers the matter to the Bureau of Supplies and Accounts.

After checking and verifying the above and taking any corrective action indicated, the final figure on the NavSanda Form 145 is compared with "Receipts From Purchase With Charge to the Navy Stock Fund" caption in the balance sheet.

Similar audits are performed on each of the Balance Sheet captions. The extent of the audit in each case depends upon the type of supporting documents received directly from the reporting activity and comparative information received through other chan-

nels. Any discrepancies or apparent discrepancies noted, which cannot be resolved immediately, are placed in an "Audit Suspense" account. When the correcting entry is made in the accountable activities returns for the following month, the debit or credit will cancel the amount set up in the suspense account.

Auditing Financial Inventory Control Reports. During each quarter the NFAO maintains a control record for each reporting activity. The control record will contain the amounts shown on the Balance Sheet, including any "Audit Suspense" amounts, in the order in which the amounts will appear on the FICR. The totals shown on the control record for the three month period are compared with the totals shown on the FICR which is submitted at the end of the quarter. (Figure 3)

In addition to the above, there are several other factors that are checked for accuracy. Classes of material are checked for propriety, the order in which the classes appear in the report is checked, the totals shown on the summary sheet are verified against the detail sheets, and the fact that there is a separate detail sheet for each item shown on the summary sheet is verified. The columns and certain other information shown on the FICR are coded for the machine accounting procedures that will follow. Any discrepancies or apparent discrepancies noted that cannot be corrected immediately are reported to BuSandA on a copy of the control sheet.

CHAPTER V

CONSOLIDATED REPORTS

General. To facilitate the posting of expenditures to the various control ledgers at bureau and office levels, the concept of "registers" is employed. Registers are first prepared by the NRAOs and consist of monthly detail listings and summaries of each type of transaction involved in Appropriation, Allotment, Project, or Stores Accounting. All registers prepared by the NRAOs are accompanied by LAM cards which can later be used by responsible bureaus and offices in consolidating the reports.

Consolidated Stores Returns. The Consolidated Stores Balance Sheet which is prepared and submitted by each NRAO is basically prepared from an NRAO worksheet. A worksheet is prepared each month with a stub column listing each of the balance sheet captions. The second column contains the total transactions reported under each caption for all of the activities reporting to the NRAO. The amounts in this column are the amounts shown in the consolidated stores return balance sheet. The balance of the columns on the worksheet list the audited balance sheet caption totals from each reporting activity.

The totals shown in the second column of the worksheet must

also agree, when applicable, with the register or registers supporting those captions. Examples of registers used in connection with stores returns are as follows:

Register No.	Description
8	NSA Issues Summary Register: Expenditures for material purchased from NSA, reported on SandA Form 70, summarized by appropriation and budget activity. <u>1/</u>
9	Materials Transfer Summary Register: Transactions reported on monthly Transfer Statement for Adjustment of Appropriations Other Than NSF Credits (SandA Form 222)... ..., summarized by appropriation and budget activity. <u>2/</u>
45	Public Vouchers Abstracted Schedule: A consolidated listing of all transactions reported in caption (a) of SandA Form 145 and supported by SandA Form 623.

The consolidated stores return for NSA (51000) must be mailed from each NRAO, except NRAO, Cleveland, by the first day of the second month following the end of the return month. As a further indication of the size of the consolidated return even though it is one return for the entire NRAO area, the content of the return is listed below.3/

The consolidated return will be assembled in the following order:

1. Consolidated Balance Sheet

1/ Navy Comptroller Manual Para. 062300.

2/ Ibid.

3/ Instructions for Stores Auditing and Reporting, BuSandA Publication 270; para. 308.

2. Copies of audit correspondence to activities.
3. Consolidated "Reconciliation Statement of Receipts from Purchase" (Sanda Form 145).
4. Duplicate copies of "Monthly Recapitulation" (Sanda Forms 623 and 2024).
5. Original tabulated listing titled "Schedule of Caption (a) Sanda Form 145.
6. Original tabulated listing titled "Schedule of Caption (b) Sanda Form 145.
7. "Abstract of Vouchers" (Sanda Form 147) prepared by the various accountable supply officers supporting the receipt caption "Manufacture".
8. "Summary of Work in Progress" (Sanda Form 166) prepared by the various accountable supply officers at nonindustrial activities (NSA only).
9. Consolidated "Reconciliation Statement of Receipts from Other Supply Officers Sanda Form 146".
10. Duplicate copies of Summaries (Sanda Form 177).
11. Original tabulated listing titled "Schedule of Summaries Received Sanda Form 146".
12. The original "Reconciliation Statement of Accounts Receivable" (Sanda Form 148) prepared by an accountable supply officer.
13. Invoices (Sanda Form 127) substantiating "Sales (Expenditure Account 98005)", "Sales (Expenditure Account 99130)", "Sales (Expenditure Account 99131)" prepared by each accountable officer.
14. Invoices (Sanda Form 127) supporting the expenditure caption "Other" (NSA only).
15. Copies of Survey Request, Report and Expenditure (Sanda Form 154) and Receipt/Expenditure Invoice (Sanda Form 127) prepared by each accountable supply officer substantiating "Loss by Survey" (Navy Stock Account 51000, 51200, 51300, 51400, 51500, and 51600).
16. Invoices (Sanda Form 127) covering gains and losses

exceeding \$1,000.00 in NSA and \$25,000.00 in APA.

17. Invoices (Sanda Form 127) supporting the captions (Receipt and Expenditure) "Standard Price Adjustment" and "Purchase Variance" on the Balance Sheet prepared by each accountable supply officer.
18. Original tabulated listing "Schedule of Summaries of Invoices".
19. Original and one copy of worksheet for consolidated balance sheet (with copies attached of delinquent balance sheets applicable to returns not included in the current consolidation).
20. Supporting punched cards accounting card (Sanda Form 632) as required for Registers 45, 46, and 47.

Consolidated Financial Inventory Control Reports. Each quarter the NRAO receives from activities with EAM equipment, summary EAM cards for each entry on the FICR. For reports received from non-mechanized activities, the NRAO is required to prepare EAM cards similar to those received from the mechanized activities. The two groups of cards are then collated and a consolidated listing is made. For identification purposes the NSA listing is designated "Register 94". The grand totals shown in register 94 are verified against the appropriate captions in the consolidated balance sheet submitted by the NRAO.

A "Reconciliation Statement of Closing Inventories" is prepared each quarter citing the reconciliation of closing inventories on the Balance Sheet and the FICR. This statement, together with the EAM cards, register 94, and the individual FICRs received from each activity, are forwarded to the Bureau of Supplies and Accounts by the first of the second month following the report month.

CHAPTER VI

BUREAU OF SUPPLIES AND ACCOUNTS

General. The consolidated stores returns and Financial Inventory Control Reports are received in the Stores and Plant Accounting Division (F2) of the Bureau of Supplies and Accounts. It is this office that maintains the Navy Stock Fund ledgers and prepares the "Navy Stock Fund Comparative Balance Sheet - Consolidated For All Categories" and appropriate schedules. (Figure 6)

Review and Reconciliation. As each set of returns and reports is received it is reviewed for completeness and where applicable totals are checked between the reports and the registers and supporting documents. There is a comparison made between the "Transfers To Other Supply Officers" reported and the "Receipts From Other Supply Officers" reported. There is also a comparison made between the cash sales reported and the payments for cash sales received. The EAM cards representing the FICK are collated and Navy-wide totals are obtained by inventory management symbol. These and many other operations and verifications are performed during the posting to the ledgers.

Recapitulation of Consolidated Balance Sheets. One of the first steps performed after the review and reconciliation procedures have been completed is the preparation of a worksheet or

COMPARATIVE BALANCE SHEET - CONSOLIDATED FOR ALL CATEGORIES

30 JUNE 1954 - 31 DECEMBER 1954

27

	<u>30 June</u> <u>1954</u>	<u>31 December</u> <u>1954</u>	<u>Net</u> <u>Change</u>
<u>Assets</u>			
Cash	\$379,544,197.85	\$656,369,490.63	\$276,825,292.78
Accounts receivable:			
Military Departments	24,511,225.39	22,757,198.10	(1,754,027.29)
All other	22,850,115.64	30,777,000.00	7,926,884.36
Inventories of material and supplies (Schedule A)	1,766,846,985.38	1,642,435,001.81	(124,411,983.57)
Total Assets	<u>\$2,193,752,524.26</u>	<u>\$2,352,338,690.54</u>	<u>\$158,586,166.28</u>
<u>Liabilities</u>			
Accounts payable:			
Ships Stores Profits Fund	\$1,220,789.36	\$1,222,261.08	\$1,471.72
Reserve for Undistributed commissary stores profits	1,735,710.60	1,691,678.57	(44,032.03)
Capital of the Fund (Statement 2)	2,190,796,024.30	2,349,424,750.89	158,628,726.59
Total liabilities and capital	<u>\$2,193,752,524.26</u>	<u>\$2,352,338,690.54</u>	<u>\$158,586,166.28</u>
Unpaid obligations (Form 133)	<u>\$204,659,073.61</u>	<u>\$188,528,865.83</u>	<u>\$(16,130,207.78)</u>
Outstanding purchase orders and contracts for goods not received	<u>\$204,659,073.61</u>	<u>\$188,528,865.83</u>	<u>\$(16,130,207.78)</u>

Note: Decreases and credit balances are shown in parentheses.

Figure 6

posting ledgers of the consolidated balance sheets. The worksheet is similar to the worksheet employed in the NRAO as described in chapter V. The stub column contains all balance sheet captions used; the second column contains caption totals; and the amounts reported by the various NRAOs are spread across the remaining columns. There are four parts to each worksheet for each stores account: balance sheet receipts, balance sheet expenditures, totals from the "Receipts From Purchases" (NavSanda Form 145), and totals from the "Reconciliation Statements of Receipts From Other Supply Officers" (NavSanda Form 146). Journal vouchers are prepared from this posting ledger to be posted to the general ledger.

Finished Goods Ledger. The finished goods ledger is another worksheet or posting ledger. Again the stub column lists the balance sheet captions and the second column contains caption totals. The remaining columns, as necessary, are used to list the caption totals in each stores account within the Navy Stock Fund, such as, NSA (51000), Clothing and Small Stores (51300), and Ship Store (51400) material. Journal vouchers are prepared from this ledger for posting to specific accounts in the general ledger. It is interesting to note that up to this point all transactions which have been recorded have been concerned with material movement only.

Obligation and Expenditures. Each month the Stores and Plant Accounting Division receives from the BuSanda Comptroller summarized expenditure control registers and an "Expenditure and Obligation Report" (NavSanda Form 2134). The NavSanda 2134 lists by

types of expenditures (material, labor, etc.) all expenditures made and charged to the Navy Stock Fund during the period. Journal Vouchers are prepared for posting of cash receipts and disbursements to the general ledger accounts.

General Ledger. The general ledger chart of accounts used internally within BuSanda for recording the NSF transactions is established by BuSanda. The only limitation on the content of the chart of accounts is that it must make available the information required by the AsstSecNav (Compt). Journal voucher numbers and contents are also established within the Bureau. The following is representative of the instructions for the preparation of stores returns, journal vouchers, and the accounts concerned.

Account No. 100 Cash - Navy Stock Fund

This account has a debit balance representing the cash available for the payment of obligations legally incurred by the Navy Stock Fund.

Debit this Account with:

Credit this Account with:

1. Amounts appropriated by Congress for the Navy Stock Fund.

1. Any transfer of funds to other appropriations as approved by Congress.

Contra to Account No. 500
(Appropriations made by Congress)

Contra to Account No. 510
(Transfers to Other Appropriations)

Posting Media: Appropriation Act

Posting Media: Appropriation Act

Journal Voucher SRJV #1

Journal Voucher SRJV #8

Obtained from: D3

Obtained from: D3

2. Reimbursement for material

2. Transfers of funds to the

Issues as reflected on SandA
Forms 70.

Contra to Account No. 220
(Accounts Receivable -
Issues of Stores with
Reimbursement)

Posting Media: Material Sum-
maries S&A Forms 70 Register 8

Journal Voucher SRJV #2

Obtained from: D3

3. Amount of refunds (dupli-
cate or overpayments on public
vouchers) as reported by NRAOs.

Contra to Account No. 1000
(Miscellaneous Collections
by Disbursing Officers -
Refunds)

Posting Media: Disbursing Of-
ficers' Schedules Register 33

Journal Voucher SRJV #3

Obtained from: D3

Treasury as approved by Congress.

Contra to Account No. 520
(Transfers to Surplus
Fund - Treasury)

Posting Media: Appropriation Act

Journal Voucher SRJV #9

Obtained from: D3

3. Total payments on public
vouchers paid by NRAOs.

Contra to Account No. 340
(Inventory - Store laid
for Not Taken Up (Public
Vouchers)

Posting Media: Public Voucher
Payments submitted by NRAOs.
Register 5 and 21.

Obtained from: D3

Program Ledger. As has been indicated previously, the control of Navy materials is delegated to "Inventory Managers," each manager having the responsibility for a definite program or type of material. The program ledger can be considered a subsidiary ledger to the general ledger in that the inventory totals shown in the general ledger are shown by program managers in the program ledgers. Also the expenditure register totals posted to the general ledger are posted in detail to the program ledger. On the material side the general and program ledgers are correlated in the following manner.

Since the captions used on the balance sheet and the FICR are not identical, the first step is the realignment of the quarter ending totals shown in the balance sheets to the appropriate accounts shown in the program ledgers. A worksheet is then prepared showing the program ledger accounts in the stub column, and the totals obtained above in the second column. The amounts obtained from register 94 (Chapter V) are then spread on the sheet with a separate column being used for each material program. It will be recognized that worksheets must balance horizontally and vertically. Journal vouchers are prepared for posting to the program ledger. Additional journal vouchers are prepared from the detail expenditure registers.

Statements and Schedules Prepared. The following schedules are prepared each month:

Schedule A-2	NSF Cash Balance Reconciliation of General Ledger with Treasury Balance
Schedule A-3	Accounts Receivable
Schedule A-4	NSF Inventories per Stores Returns
Schedule A-5	Stores In Transit
Schedule A-6	Manufacturing Work in Progress
Schedule A-7	Analysis of Payments Reported to Treasury
Schedule A-8	Stores Paid for Not Taken Up
Schedule B-1	Operational Increases and Decreases in Inventory
Schedule C-1	Sales Per Stores Returns

For schedules A-5 through C-1, information is given for the current month and the fiscal year to date. During the quarter the above schedules are distributed only within BuSandA for internal use. The quarter ending schedules are submitted with the "Navy Stock Fund Comparative Balance Sheet."

The "Navy Stock Fund Comparative Balance Sheet-Consolidated

"For All Categories" is submitted to the Office of the Navy Comptroller each quarter with copies to the Bureau of the Budget, the appropriate inventory program managers and other interested offices. In addition to the schedules shown above, the following substantiating documents are included showing year to date amounts:

- Distribution of Inventories by Categories
- Analysis of Inventory Transactions and Balances by Category
- Analysis of Purchases by Category
- Summary Changes in Working Capital-Consolidated for all Programs
- Ships Stores and Commissary Stores Operations-Retail Stores Only
- Summary of Changes in Liability and Reserve Accounts

During the course of a fiscal year, the above statements and schedules are used for control purposes, and at the end of the fiscal year the Office of the Navy Comptroller incorporates them into the financial reports for the Navy Department.

CHAPTER VII

SUMMARY

The control and reporting of Navy owned material is accomplished in accordance with laws and regulations established by the Congress, policies and guidelines promulgated by the Secretary of Defense, and accounting principles and detailed procedures promulgated by the Secretary of the Navy and the various Bureau heads. The control and reporting picture presents a pyramiding affect. The broad base is at the many Navy field activities where the physical possession of the material exists, and the prime inventory records are maintained. The next ascending level in the control and reporting pyramid is the thirteen Navy Regional Accounts Offices. Both fiscal and material reports are funneled through the NRAOs. By employing auditing and summarizing procedures, the reports from approximately twelve hundred ships and stations are assembled into thirteen activity reports.

At the peak of the pyramid for the Navy Department is the annual "Navy Department Financial Report NavExos Publication P-1170." Statement 11 of this report for the fiscal year 1954 presented in summary form the Navy Stock Fund operations for that year. The values submitted were prepared as a final and consolidated report by the Bureau of Supplies and Accounts from the sum-

mary reports received from the Navy Regional Accounts Offices.

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